

SOLON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

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Solon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (After September 2011 Election)		
Dave Asprey	President	2013
Dean A. Martin	Vice President	2015
Dick Schwab	Board Member	2013
Lianne Westcot	Board Member	2013
Dan Coons	Board Member	2015
School Officials		
Sam Miller	Superintendent	2013
Pat Moore	School Business Official and Treasurer	2013
Brooke Henning	District Secretary	2013
Ahlers & Cooney P.C.	Attorney	2013

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Solon Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Solon Community School District, Solon, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the propose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of account policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Solon Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 7 through 16, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Solon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2014 on our consideration of Solon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Solon Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2014
Newton, Iowa

Solon Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Solon Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,221,916 in fiscal 2012 to \$12,443,620 in fiscal 2013, while General Fund expenditures increased from \$11,162,218 in fiscal 2012 to \$11,660,390 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$2,837,806 in fiscal 2012 to a balance of \$3,621,036 in fiscal 2013, which is a 27.60% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local, state and federal sources. Revenue increases were seen in the following areas: tuition, other local revenue, voluntary preschool and Impact Aid. Expenditures increased in the instructional and support services functional areas.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Solon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Solon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Solon Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the Capital Projects Accounts. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

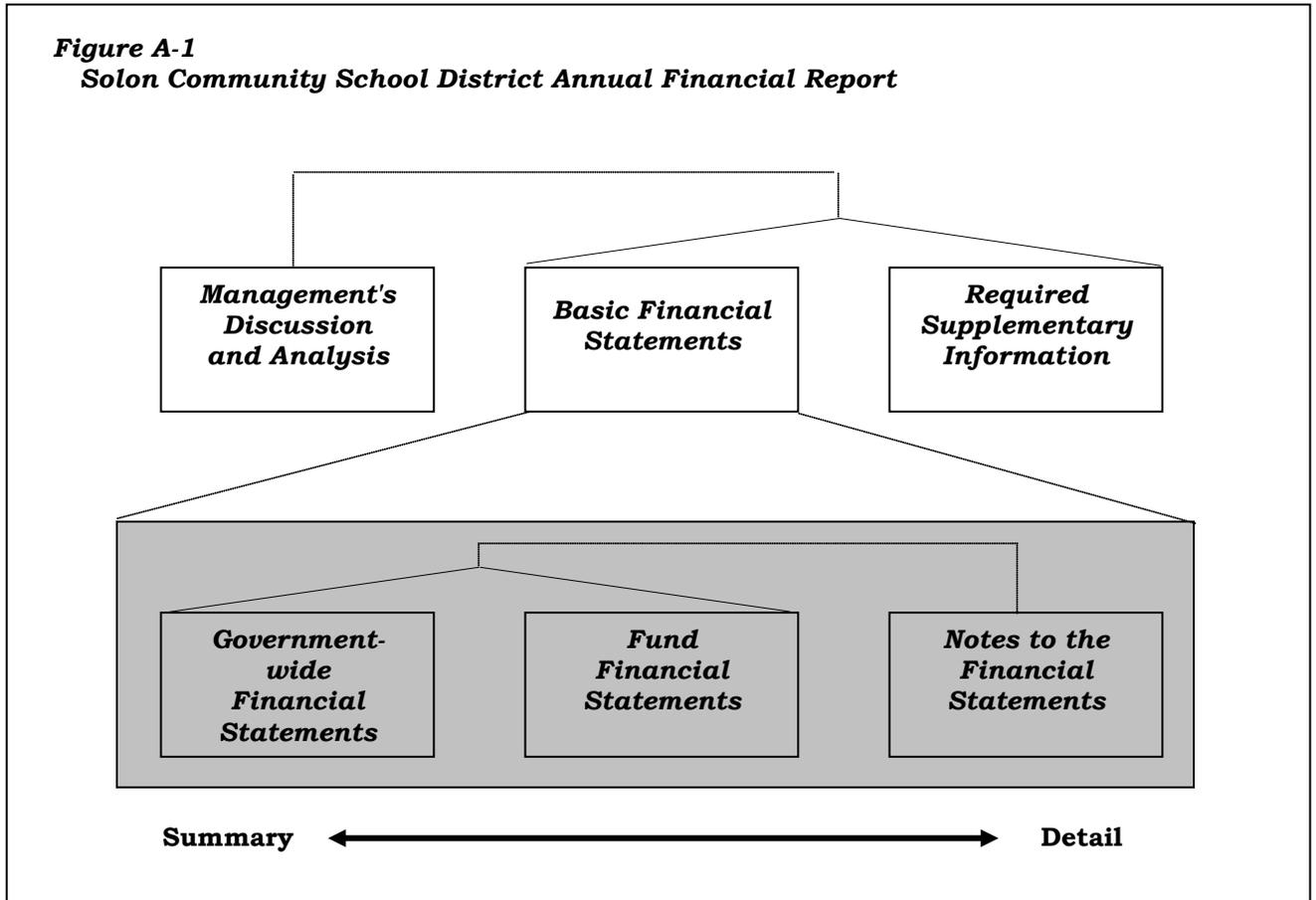


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net position and how they have changed. Net position - the difference between the District’s assets and liabilities - are one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net position is an

indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition programs as well as the other miscellaneous accounts are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has five Enterprise Funds, the School Nutrition Fund, the Before and After School Program Fund, the Preschool Program Fund, the Spart Mart Fund and the Stone Academy Fund.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund - The District accounts for revenues and expenses of the Water Club.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 15,259,275	16,536,724	533,024	372,485	15,792,299	16,909,209	-6.61%
Capital assets	20,336,576	18,860,467	59,020	73,215	20,395,596	18,933,682	7.72%
Total assets	35,595,851	35,397,191	592,044	445,700	36,187,895	35,842,891	0.96%
Long-term obligations	11,547,137	12,834,859	32,607	20,045	11,579,744	12,854,904	-9.92%
Other liabilities	6,827,641	7,239,551	28,170	48,426	6,855,811	7,287,977	-5.93%
Total liabilities	18,374,778	20,074,410	60,777	68,471	18,435,555	20,142,881	-8.48%
Net position:							
Invested in capital assets, net of related debt	9,926,653	8,126,174	59,020	73,215	9,985,673	8,199,389	21.79%
Restricted	4,033,814	4,522,286	-	-	4,033,814	4,522,286	-10.80%
Unrestricted	3,260,606	2,674,321	472,247	304,014	3,732,853	2,978,335	25.33%
Total net position	\$ 17,221,073	15,322,781	531,267	377,229	17,752,340	15,700,010	13.07%

The District's combined net position increased by 13.07%, or \$2,052,330, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased 10.80% or \$488,472 over the prior year. This decrease in restricted net position is mainly attributable to the decrease in carryover fund balance for the Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$754,518, or 25.33%. The increase in unrestricted net position is due mainly from the increase in carryover balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4
Changes of Net Position

	Governmental Activities		Business type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 1,466,069	1,014,662	975,820	871,705	2,441,889	1,886,367	29.45%
Operating grants and contributions and restricted interest	1,126,915	1,962,446	140,150	117,971	1,267,065	2,080,417	-39.10%
Capital grants and contributions and restricted interest	6,044	-	-	-	6,044	-	100.00%
General revenues:							
Property tax	5,824,499	5,425,766	-	-	5,824,499	5,425,766	7.35%
Income surtax	577,797	268,585	-	-	577,797	268,585	115.13%
Statewide sales, services and use tax	1,055,457	1,449,993	-	-	1,055,457	1,449,993	-27.21%
Unrestricted state grants	5,778,421	5,013,376	-	-	5,778,421	5,013,376	15.26%
Nonspecific program federal grants	-	237,307	-	-	-	237,307	-100.00%
Unrestricted investment earnings	18,432	20,727	924	868	19,356	21,595	-10.37%
Other	46,973	55,644	-	-	46,973	55,644	-15.58%
Total revenues	15,900,607	15,448,506	1,116,894	990,544	17,017,501	16,439,050	3.52%
Program expenses:							
Governmental activities:							
Instructional	8,821,011	8,148,778	60,548	57,370	8,881,559	8,206,148	8.23%
Support services	3,729,757	3,372,129	33,841	57,386	3,763,598	3,429,515	9.74%
Non-instructional programs	-	-	868,467	877,344	868,467	877,344	-1.01%
Other expenses	1,451,547	964,039	-	-	1,451,547	964,039	50.57%
Total expenses	14,002,315	12,484,946	962,856	992,100	14,965,171	13,477,046	11.04%
Increase(Decrease) in net position	1,898,292	2,963,560	154,038	(1,556)	2,052,330	2,962,004	-30.71%
Beginning net position	15,322,781	12,359,221	377,229	378,785	15,700,010	12,738,006	23.25%
Ending net position	\$ 17,221,073	15,322,781	531,267	377,229	17,752,340	15,700,010	13.07%

In fiscal year 2013, property tax, income surtax and unrestricted state grants account for 76.61% of governmental activities revenue while charges for service and sales and operating grants, contributions and restricted interest accounted for 99.92% of business type activities revenue. The District's total revenues were approximately \$17.02 million of which \$15.90 million was for governmental activities and approximately \$1.12 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.52% increase in revenues and a 11.04% increase in expenses. Property tax increased \$398,733 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$15,900,607 and expenses were \$14,002,315 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 8,821,011	8,148,778	8.25%	6,711,657	5,644,515	18.91%
Support services	3,729,757	3,372,129	10.61%	3,700,816	3,347,951	10.54%
Other expenses	1,451,547	964,039	50.57%	990,814	515,372	92.25%
Totals	\$ 14,002,315	12,484,946	12.15%	11,403,287	9,507,838	19.94%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,466,069.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,132,959.
- The net cost of governmental activities was financed with \$5,824,499 in property tax, \$577,797 in income surtax, \$1,055,457 in statewide sales, services and use tax, \$5,778,421 in unrestricted state grants, \$18,432 in interest income and \$46,973 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2013 were \$1,116,894, representing a 12.76% increase over the prior year, while expenses totaled \$962,856, a 2.95% decrease over the prior year. The District's business type activities are the School Nutrition Fund, Before and After School Program Fund, the Preschool Program Fund, the Spart Mart Fund and the Stone Academy Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Solon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,972,607, below last year's ending fund balances of \$8,829,162. However, the primary reason for the decrease in combined fund balances is because of the decrease in fund balance in the Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local and state source revenues resulted in an increase in revenues. The increase in expenditures in the instructional and support services functional areas led to the increase in expenditures. The increase in revenues was more than enough to outpace the increase in expenditures resulting in an increase in fund balance from \$2,837,806 in fiscal 2012 to \$3,621,036 in fiscal 2013.

-
- The Capital Projects account balances overall decreased from \$5,405,287 in fiscal 2012 to \$2,513,375 in fiscal 2013. The decrease in fund balance for the Capital Projects accounts is primarily due to the completion of renovations to Spartan Stadium. Due to reclassification as a result of GASB Statement No. 54 during fiscal year 2011, the Physical Plant and Equipment Levy Fund is considered a Capital Project account along with the Statewide Sales, Services and Use Tax Fund.
 - During the year ended June 30, 2013, the Statewide Sales, Services and Use Tax Fund decreased from \$4,436,681 to \$1,816,301. The decrease in fund balance can be attributed to increased expenditures as a result of the completion of the renovation project at Spartan Stadium. The Physical Plant and Equipment Levy Fund decreased from \$968,606 to \$697,074. This decrease was a result of additional expenditures for the following projects: roof repairs, facility painting, HVAC upgrades and the gym floor at the middle school.
 - During the year ended June 30, 2013, the Debt Service Fund increased from \$159,922 in fiscal 2012 to \$1,206,087 in fiscal 2013. The increase in fund balance can be attributed to the increase in property tax collected as compared to the previous year. The majority of the increase in Debt Service Fund balance is the result of the District transferring the amounts of the revenue bond sinking and reserve accounts from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund.

Proprietary Fund Highlights

During fiscal year 2013, the School Nutrition Fund's increase in revenues coupled with a decrease in expenses as compared to the previous year guaranteed the increase in fund balance. Overall, net position increased from \$108,296 at June 30, 2012 to \$142,102 at June 30, 2013, representing an increase of 31.22%. As the District looks forward to the 2014 fiscal year, it is recognized that there must be a continued effort to monitor both revenue and expenditures to ensure the School Nutrition fund remains self-supporting.

The Before and After School Program Fund's increase in revenues was enough to offset the increase in expenses during the year. Overall, net position increased from \$221,446 at June 30, 2012 to \$289,951 at June 30, 2013, representing an increase of 30.94%. The District recognizes the positive financial position of the Before and After School Program. Based on the positive fiscal position, the Before and After School Program will not be recommending a change in their fees for the upcoming 2013-2014 school year.

The Preschool Program Fund's increase in revenues was enough to offset the increase in expenses during the year. Overall, net position increased from \$47,487 at June 30, 2012 to \$97,272 at June 30, 2013, representing an increase of 104.84%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Solon Community School District amended its budget one time to reflect additional expenditures associated with increased staffing, maintenance and transportation, nutrition and before and after school programs and construction costs for completion of the Spartan Stadium project. The District's revenues were \$121,839 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in federal sources than what was originally anticipated. The largest variance in the federal award programs received by the District was for the Impact Aid program.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$20,395,596, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 7.72% from the prior year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$885,185.

The original cost of the District's capital assets was \$29,960,839. Governmental funds account for \$29,746,103 with the remainder of \$214,736 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$1,643,163 at June 30, 2012 as compared to \$4,981,336 at June 30, 2013. The primary reason for the increase in land improvements during the year is due to the completion of renovations at Spartan Stadium.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 598,927	600,427	-	-	598,927	600,427	-0.25%
Construction in progress	-	1,545,576	-	-	-	1,545,576	-100.00%
Buildings	14,175,847	14,457,129	-	-	14,175,847	14,457,129	-1.95%
Land improvements	4,981,336	1,643,163	-	-	4,981,336	1,643,163	203.16%
Machinery and equipment	580,466	614,172	59,020	73,215	639,486	687,387	-6.97%
Total	\$ 20,336,576	18,860,467	59,020	73,215	20,395,596	18,933,682	7.72%

Long-Term Debt

At June 30, 2013, the District had \$11,579,744 in general obligation bonds, revenue bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$4,890,000 at June 30, 2013. Principal of \$610,000 is due during fiscal 2014.

The District had outstanding Revenue Bonds payable of \$5,633,000 at June 30, 2013. Principal of \$780,000 is due during fiscal 2014.

The District had outstanding Early Retirement benefits of \$608,853 payable from the Special Revenue, Management Fund at June 30, 2013. \$154,011 is payable during fiscal 2014.

The District has Compensated Absences payable of \$29,308 at June 30, 2013.

The District has a Net OPEB liability of \$418,583 as of June 30, 2013. Governmental activities account for \$385,976 while business type activities account for \$32,607.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General Obligation Bonds	\$ 4,890,000	5,480,000	-	-	4,890,000	5,480,000	-10.77%
Revenue Bonds	5,633,000	6,748,000	-	-	5,633,000	6,748,000	-16.52%
Termination Benefits	608,853	339,513	-	-	608,853	339,513	79.33%
Compensated Absences	29,308	30,072	-	-	29,308	30,072	-2.54%
Net OPEB liability	385,976	237,274	32,607	20,045	418,583	257,319	62.67%
Total	\$ 11,547,137	12,834,859	32,607	20,045	11,579,744	12,854,904	-9.92%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- It is a concern of this District, as well as every District in the state, that certain costs will continue to increase, such as those associated with negotiated agreements with unions, i.e. salaries and benefits. The District continues to approve an Early Retirement Plan in an effort to achieve costs savings through higher paid teachers retiring early and hiring less experienced teachers as replacements that typically will be paid less, thus resulting in a cost savings to the General Fund. Other uncontrolled costs such as fuel also continue to be watched. With the legislature's hesitancy to fully fund and increase funding, knowing that these costs will continue to rise, the District remains vigilant to use completely and efficiently all the resources it has at its disposal.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.
- The District continues to monitor the fiscal impact of open enrollment. The past few years the District has realized a net gain in open enrollment. Additionally, looking at the next fiscal year, the District anticipates a net gain in open enrollment as well.
- At the close of the 2012-2013 fiscal year, the District saw many positive fiscal impacts and indicators. Among a few of the indicators were the solvency ratio, fund balance and the unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's School Business Official/Treasurer, Solon Community School District, 301 S Iowa Street, Solon, Iowa, 52333.

BASIC FINANCIAL STATEMENTS

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 8,496,164	484,101	8,980,265
Receivables:			
Property tax:			
Delinquent	32,638	-	32,638
Succeeding year	5,812,052	-	5,812,052
Income surtax	521,623	-	521,623
Accounts	4,711	-	4,711
Inventories	-	8,998	8,998
Due from other funds	852	39,925	40,777
Due from other governments	391,235	-	391,235
Capital assets, net of accumulated depreciation	20,336,576	59,020	20,395,596
TOTAL ASSETS	35,595,851	592,044	36,187,895
LIABILITIES			
Accounts payable	350,062	13,342	363,404
Retainage payable	337,849	-	337,849
Salaries and benefits payable	194,113	-	194,113
Due to other funds	39,925	852	40,777
Accrued interest payable	89,353	-	89,353
Deferred revenue:			
Succeeding year property tax	5,812,052	-	5,812,052
Other	4,287	-	4,287
Unearned revenue	-	13,976	13,976
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	610,000	-	610,000
Revenue bonds payable	780,000	-	780,000
Termination benefits payable	154,011	-	154,011
Compensated absences payable	29,308	-	29,308
Portion due after one year:			
General obligation bonds payable	4,280,000	-	4,280,000
Revenue bonds payable	4,853,000	-	4,853,000
Termination benefits payable	454,842	-	454,842
Net OPEB liability	385,976	32,607	418,583
TOTAL LIABILITIES	18,374,778	60,777	18,435,555
NET POSITION			
Invested in capital assets, net of related debt	9,926,653	59,020	9,985,673
Restricted for:			
Categorical funding	315,330	-	315,330
Debt service	1,707,234	-	1,707,234
Student activities	201,452	-	201,452
School infrastructure	1,112,724	-	1,112,724
Physical plant and equipment	697,074	-	697,074
Unrestricted	3,260,606	472,247	3,732,853
TOTAL NET POSITION	\$ 17,221,073	531,267	17,752,340

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,245,517	871,158	67,833	-	(5,306,526)	-	(5,306,526)
Special	1,408,151	185,244	124,717	-	(1,098,190)	-	(1,098,190)
Other	1,167,343	395,096	465,306	-	(306,941)	-	(306,941)
	<u>8,821,011</u>	<u>1,451,498</u>	<u>657,856</u>	<u>-</u>	<u>(6,711,657)</u>	<u>-</u>	<u>(6,711,657)</u>
Support services:							
Student	183,473	-	1,756	-	(181,717)	-	(181,717)
Instructional staff	431,775	-	-	-	(431,775)	-	(431,775)
Administration	1,332,128	-	-	-	(1,332,128)	-	(1,332,128)
Operation and maintenance of plant	1,157,997	-	-	6,044	(1,151,953)	-	(1,151,953)
Transportation	624,384	14,571	6,570	-	(603,243)	-	(603,243)
	<u>3,729,757</u>	<u>14,571</u>	<u>8,326</u>	<u>6,044</u>	<u>(3,700,816)</u>	<u>-</u>	<u>(3,700,816)</u>
Long-term debt interest	287,428	-	-	-	(287,428)	-	(287,428)
Other expenses:							
AEA flowthrough	460,733	-	460,733	-	-	-	-
Depreciation(unallocated)*	703,386	-	-	-	(703,386)	-	(703,386)
	<u>1,164,119</u>	<u>-</u>	<u>460,733</u>	<u>-</u>	<u>(703,386)</u>	<u>-</u>	<u>(703,386)</u>
Total governmental activities	14,002,315	1,466,069	1,126,915	6,044	(11,403,287)	-	(11,403,287)
Business type activities:							
Instruction:							
Other	60,548	-	-	-	-	(60,548)	(60,548)
Support services:							
Administration	19,440	-	-	-	-	(19,440)	(19,440)
Operation and maintenance of plant	14,401	-	-	-	-	(14,401)	(14,401)
Total support services	33,841	-	-	-	-	(94,389)	(94,389)
Non-instructional programs:							
Nutrition services	568,932	485,920	140,060	-	-	57,048	57,048
Before & after school program	298,284	375,283	-	-	-	76,999	76,999
Preschool program	-	111,032	-	-	-	111,032	111,032
Spart mart	1,251	1,792	-	-	-	541	541
Stone academy	-	1,793	90	-	-	1,883	1,883
Total non-instructional programs	<u>868,467</u>	<u>975,820</u>	<u>140,150</u>	<u>-</u>	<u>-</u>	<u>247,503</u>	<u>247,503</u>
Total business type activities	962,856	975,820	140,150	-	-	153,114	153,114
Total	\$ 14,965,171	2,441,889	1,267,065	6,044	(11,403,287)	153,114	(11,250,173)
General Revenues:							
Property tax levied for:							
General purposes				\$	4,304,331	-	4,304,331
Debt service					927,694	-	927,694
Capital outlay					592,474	-	592,474
Income surtax					577,797	-	577,797
Statewide sales, services and use tax					1,055,457	-	1,055,457
Unrestricted state grants					5,778,421	-	5,778,421
Unrestricted investment earnings					18,432	924	19,356
Other					46,973	-	46,973
Total general revenues					<u>13,301,579</u>	<u>924</u>	<u>13,302,503</u>
Change in net position					1,898,292	154,038	2,052,330
Net position beginning of year					15,322,781	377,229	15,700,010
Net position end of year					<u>\$ 17,221,073</u>	<u>531,267</u>	<u>17,752,340</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 3,896,276	2,715,943	1,203,713	653,475	8,469,407
Receivables:					
Property tax:					
Delinquent	21,988	3,273	5,124	2,253	32,638
Succeeding year	3,206,503	627,870	1,522,680	454,999	5,812,052
Income surtax	521,623	-	-	-	521,623
Accounts	207	-	-	4,504	4,711
Due from other funds	-	-	-	852	852
Due from other governments	216,925	172,185	-	2,125	391,235
TOTAL ASSETS	\$ 7,863,522	3,519,271	2,731,517	1,118,208	15,232,518
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 276,040	40,177	2,750	31,095	350,062
Retainage payable	-	337,849	-	-	337,849
Salaries and benefits payable	194,113	-	-	-	194,113
Due to other funds	39,920	-	-	5	39,925
Deferred revenue:					
Succeeding year property tax	3,206,503	627,870	1,522,680	454,999	5,812,052
Income surtax	521,623	-	-	-	521,623
Other	4,287	-	-	-	4,287
Total liabilities	4,242,486	1,005,896	1,525,430	486,099	7,259,911
Fund balances:					
Restricted for:					
Categorical funding	315,330	-	-	-	315,330
Debt service	-	590,500	1,206,087	-	1,796,587
Management levy purposes	-	-	-	430,657	430,657
Student activities	-	-	-	201,452	201,452
School infrastructure	-	1,225,801	-	-	1,225,801
Physical plant and equipment	-	697,074	-	-	697,074
Assigned	13,515	-	-	-	13,515
Unassigned	3,292,191	-	-	-	3,292,191
Total fund balances	3,621,036	2,513,375	1,206,087	632,109	7,972,607
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,863,522	3,519,271	2,731,517	1,118,208	15,232,518

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	7,972,607
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		20,336,576
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		521,623
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		26,757
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(89,353)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, termination benefits payable, compensated absences payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(11,547,137)
		(11,547,137)
Net position of governmental activities(page 18)	\$	17,221,073
		17,221,073

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 4,455,798	1,647,931	927,694	400,135	7,431,558
Tuition	965,637	-	-	-	965,637
Other	182,670	19,634	1,013	446,265	649,582
State sources	6,386,095	1,044	-	-	6,387,139
Federal sources	440,496	-	-	-	440,496
Total revenues	<u>12,430,696</u>	<u>1,668,609</u>	<u>928,707</u>	<u>846,400</u>	<u>15,874,412</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,702,746	224,432	-	39,220	5,966,398
Special	1,302,715	-	-	5,365	1,308,080
Other	766,245	-	-	388,745	1,154,990
	<u>7,771,706</u>	<u>224,432</u>	<u>-</u>	<u>433,330</u>	<u>8,429,468</u>
Support services:					
Student	179,977	-	-	-	179,977
Instructional staff	370,300	700	-	-	371,000
Administration	1,306,492	1,490	-	29,181	1,337,163
Operation and maintenance of plant	1,069,056	28,535	-	164,975	1,262,566
Transportation	502,126	116,870	-	12,952	631,948
	<u>3,427,951</u>	<u>147,595</u>	<u>-</u>	<u>207,108</u>	<u>3,782,654</u>
Capital outlay	-	2,092,522	-	-	2,092,522
Long-term debt:					
Principal	-	-	1,705,000	-	1,705,000
Interest and fiscal charges	-	-	276,514	-	276,514
	<u>-</u>	<u>-</u>	<u>1,981,514</u>	<u>-</u>	<u>1,981,514</u>
Other expenditures:					
AEA flowthrough	460,733	-	-	-	460,733
TOTAL EXPENDITURES	<u>11,660,390</u>	<u>2,464,549</u>	<u>1,981,514</u>	<u>640,438</u>	<u>16,746,891</u>
Excess(Deficiency) of revenues over(under) expenditures	770,306	(795,940)	(1,052,807)	205,962	(872,479)
Other financing sources(uses):					
Transfer in	-	-	2,098,972	-	2,098,972
Transfer out	-	(2,098,972)	-	-	(2,098,972)
Sale of property	-	3,000	-	-	3,000
Sale of equipment	12,924	-	-	-	12,924
Total other financing sources(uses)	<u>12,924</u>	<u>(2,095,972)</u>	<u>2,098,972</u>	<u>-</u>	<u>15,924</u>
Change in fund balances	783,230	(2,891,912)	1,046,165	205,962	(856,555)
Fund balance beginning of year	2,837,806	5,405,287	159,922	426,147	8,829,162
Fund balance end of year	<u>\$ 3,621,036</u>	<u>2,513,375</u>	<u>1,206,087</u>	<u>632,109</u>	<u>7,972,607</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ (856,555)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 2,347,099	
Depreciation expense	<u>(870,990)</u>	1,476,109

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,705,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (10,914)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 26,195

Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis. (24,265)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Termination benefits	\$ (269,340)	
Compensated absences	764	
Other postemployment benefits	<u>(148,702)</u>	<u>(417,278)</u>

Change in net position of governmental activities(page 19) \$ 1,898,292

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type Activities: Nonmajor Enterprise Funds					Total	Governmental Activities: Internal Service Fund
	School Nutrition	Before & After School Program	Preschool Program	Spart Mart	Stone Academy		
ASSETS							
Current assets:							
Cash and pooled investments	\$ 111,940	307,748	62,471	541	1,401	484,101	26,757
Inventories	8,998	-	-	-	-	8,998	-
Due from other funds	18	-	39,907	-	-	39,925	-
Total current assets	120,956	307,748	102,378	541	1,401	533,024	26,757
Non-current assets:							
Capital assets:							
Machinery and equipment, net of accumulated depreciation	59,020	-	-	-	-	59,020	-
Total non-current assets	59,020	-	-	-	-	59,020	-
TOTAL ASSETS	179,976	307,748	102,378	541	1,401	592,044	26,757
LIABILITIES							
Current liabilities:							
Accounts payable	927	12,415	-	-	-	13,342	-
Due to other funds	576	276	-	-	-	852	-
Unearned revenue	13,976	-	-	-	-	13,976	-
Total current liabilities	15,479	12,691	-	-	-	28,170	-
Long-term liabilities:							
Net OPEB liability	22,395	5,106	5,106	-	-	32,607	-
Total long-term liabilities	22,395	5,106	5,106	-	-	32,607	-
TOTAL LIABILITIES	37,874	17,797	5,106	-	-	60,777	-
NET POSITION							
Investment in capital assets	59,020	-	-	-	-	59,020	-
Unrestricted	83,082	289,951	97,272	541	1,401	472,247	26,757
TOTAL NET POSITION	\$ 142,102	289,951	97,272	541	1,401	531,267	26,757

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Nonmajor Enterprise Funds					Total	Governmental Activities: Internal Service Fund
	School Nutrition	Before & After School Program	Preschool Program	Spart Mart	Stone Academy		
OPERATING REVENUE:							
Local sources:							
Charges for services	\$ 485,920	375,283	111,032	1,792	1,793	975,820	-
Donations	-	-	-	-	90	90	-
Miscellaneous	-	-	-	-	-	-	155,327
TOTAL OPERATING REVENUES	485,920	375,283	111,032	1,792	1,883	975,910	155,327
OPERATING EXPENSES:							
Instruction:							
Other:							
Salaries	-	-	36,477	-	-	36,477	-
Benefits	-	-	18,743	-	-	18,743	-
Supplies	-	-	5,328	-	-	5,328	-
	-	-	60,548	-	-	60,548	-
Support services:							
Administration:							
Benefits	-	-	-	-	-	-	179,592
Services	2,016	4,591	-	-	-	6,607	-
Other	8,835	3,172	826	-	-	12,833	-
	10,851	7,763	826	-	-	19,440	179,592
Operation and maintenance of plant:							
Services	12,610	1,309	-	-	-	13,919	-
Supplies	-	-	-	-	482	482	-
	12,610	1,309	-	-	482	14,401	-
Total support services	23,461	9,072	61,374	-	482	33,841	179,592
Non-instructional programs:							
Food service operations:							
Salaries	193,006	-	-	-	-	193,006	-
Benefits	73,352	-	-	-	-	73,352	-
Supplies	288,119	-	-	-	-	288,119	-
Other	260	-	-	-	-	260	-
Depreciation	14,195	-	-	-	-	14,195	-
	568,932	-	-	-	-	568,932	-
Other enterprise operations:							
Supplies	-	-	-	1,251	-	1,251	-
Community service operations:							
Salaries	-	204,085	-	-	-	204,085	-
Benefits	-	37,457	-	-	-	37,457	-
Services	-	10,870	-	-	-	10,870	-
Supplies	-	44,072	-	-	-	44,072	-
Other	-	1,800	-	-	-	1,800	-
	-	298,284	-	-	-	298,284	-
Total non-instructional programs	568,932	298,284	-	1,251	-	868,467	-
TOTAL OPERATING EXPENSES	592,393	307,356	61,374	1,251	482	962,856	179,592
OPERATING INCOME(LOSS)	(106,473)	67,927	49,658	541	1,401	13,054	(24,265)
NON-OPERATING REVENUES:							
State sources	4,983	-	-	-	-	4,983	-
Federal sources	135,077	-	-	-	-	135,077	-
Interest income	219	578	127	-	-	924	-
TOTAL NON-OPERATING REVENUES	140,279	578	127	-	-	140,984	-
Change in net position	33,806	68,505	49,785	541	1,401	154,038	(24,265)
Net position beginning of year	108,296	221,446	47,487	-	-	377,229	51,022
Net position end of year	\$ 142,102	289,951	97,272	541	1,401	531,267	26,757

SEE NOTES TO FINANCIAL STATEMENTS.

**SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Business Type Activities: Nonmajor Enterprise Funds					Total	Governmental
	School Nutrition	Before & After School Program	Preschool Program	Spart Mart	Stone Academy		Activities: Internal Service Fund
Cash flows from operating activities:							
Cash received from operating activities	\$ 485,396	375,283	111,032	1,792	1,793	975,296	-
Donations received	-	-	-	-	90	90	-
Cash received from miscellaneous operating activities	-	-	-	-	-	-	155,327
Cash payments to employees for services	(264,108)	(241,874)	(56,188)	-	-	(562,170)	(179,592)
Cash payments to suppliers for goods or services	(270,719)	(66,881)	(14,434)	(1,251)	(482)	(353,767)	-
Net cash provided by(used in) operating activities	(49,431)	66,528	40,410	541	1,401	59,449	(24,265)
Cash flows from non-capital financing activities:							
Borrowings(repays) from(to) other funds	95	5	(6,200)	-	-	(6,100)	-
State grants received	4,983	-	-	-	-	4,983	-
Federal grants received	99,261	-	-	-	-	99,261	-
Net cash provided by(used in) non-capital financing activities	104,339	5	(6,200)	-	-	98,144	-
Cash flows from investing activities:							
Interest on investment	219	578	127	-	-	1,848	-
Net increase(decrease) in cash and cash equivalents	55,127	67,111	34,337	541	1,401	158,517	(24,265)
Cash and cash equivalents at beginning of year	56,813	240,637	28,134	-	-	325,584	51,022
Cash and cash equivalents at end of year	\$ 111,940	307,748	62,471	541	1,401	484,101	26,757
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:							
Operating income(loss)	\$ (106,473)	67,927	49,658	541	1,401	13,054	(24,265)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:							
Commodities consumed	35,816	-	-	-	-	35,816	-
Depreciation	14,195	-	-	-	-	14,195	-
Decrease in inventories	4,843	-	-	-	-	4,843	-
Decrease in accounts receivable	87	-	-	-	-	87	-
Increase(Decrease) in accounts payable	462	(1,067)	(8,280)	-	-	(8,885)	-
Decrease in salaries and benefits payable	(6,378)	(2,299)	(2,935)	-	-	(11,612)	-
Decrease in unearned revenues	(611)	-	-	-	-	(611)	-
Increase in other postemployment benefits	8,628	1,967	1,967	-	-	12,562	-
Net cash provided by(used in) operating activities	\$ (49,431)	66,528	40,410	541	1,401	59,449	(24,265)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$35,816.

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 1,350</u>
LIABILITIES	
Accounts payable	<u>600</u>
NET POSITION	
Restricted for scholarships	<u>\$ 750</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Scholarship
ADDITIONS:	
Local sources:	
Contributions	\$ 1,100
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarships awarded	2,549
Change in net position	(1,449)
Net position beginning of year	2,199
Net position end of year	\$ 750

SEE NOTES TO FINANCIAL STATEMENTS.

SOLON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The Solon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve along with a before and after program as well as a preschool program. The geographic area served primarily includes the City of Solon, Iowa, and the predominate agricultural territory of Johnson and Linn counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Solon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Solon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or respon-sibility by the participating governments. The District is a member of the Johnson County Assessors' Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Paid from the fund are general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets. According to GASB Statement No. 54, the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund are both classified as Capital Project Funds.

The Debt Service Fund is used to account for all resources used for the payment of principal and interest on the District's general obligation and revenue bond indebtedness.

The District's also reports five nonmajor proprietary funds (Enterprise, School Nutrition Fund, the Before & After Programs Fund, the Preschool Programs Fund, the Spart Mart Fund and the Stone Academy Fund) and the Internal Service Fund.

- 1) The Nutrition Fund is used to account for the food service operations of the District.
- 2) The Before & After School Programs Fund is used to account for the before and after school daycare operations of the District.
- 3) The Preschool Programs Fund is used to account for the preschool operations of the District.
- 4) The Spart Mart Fund is used to account for the operations of the student store operations.
- 5) The Stone Academy Fund is used to account for the operations of the historic building .

The Internal Service Fund is used to account for the flex spending benefits received by District employees.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District which require benefit individuals through various activities of the Water Club.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified

by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	4-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements

represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

Compensated Absences - The compensated absences liability has been computed based on 1/10th of the current substitute teacher daily pay rate(\$100/day) in effect for the year ended June 30, 2013. The per day rate for the year ended June 30, 2013, was \$10/day for every unused sick leave day up to a maximum of 100 days per employee for employees that have been employed by the District for fourteen or more years. The cost of the sick leave payments expected to be liquidated currently is recorded as a liability of the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - In the governmental fund financial statements, Fund balances are classified as follows:

1. **Restricted** - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantor or state or federal laws or imposed by law through constitutional provisions or enabling legislation.
2. **Assigned** - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned fund balances in the District's General Fund are for various resale accounts and smaller projects that are not able to be accounted for in other governmental funds.
3. **Unassigned** - All amounts not included in other spendable classifications. Negative unassigned balances may be reported in other governmental funds when expenditures incurred for specific purposes exceed the amounts that are restricted or assigned. At June 30, 2013, the District's only unassigned balance was in the General Fund.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2013 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State

of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2013 the District had no investments.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise: Nutrition	General	\$ 14
Enterprise: Preschool Program	General	39,907
Student Activity	Enterprise: Nutrition	576
Student Activity	Enterprise: Before & After School Program	276
Enterprise: Nutrition Total	Student Activity	<u>5</u>
		<u>\$ 40,778</u>

The General Fund is repaying the Enterprise: Nutrition Fund for supplies that were paid from the Enterprise: Nutrition Fund.

The General Fund is repaying the Enterprise: Preschool Programs Fund for preschool tuition received during fiscal 2013.

The Enterprise: Nutrition Fund is repaying the Student Activity Fund for RevTrak processing fees for the month of June 2013.

The Enterprise: Before & After School Program Fund is repaying the Student Activity Fund for RevTrak processing fees for the month of June 2013.

The Student Activity Fund is repaying the Enterprise: Nutrition Fund for RevTrak processing fees for the month of June 2013.

(4) Interfund Transfers

The detail of the interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 2,098,972</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for payments made on the District's revenue bond indebtedness as well as reclassification of revenue bond sinking and reserve accounts.

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 5,480,000	-	590,000	4,890,000	610,000
Revenue Bonds	6,748,000	-	1,115,000	5,633,000	780,000
Termination Benefits	339,513	342,463	73,123	608,853	154,011
Compensated Absences	30,072	29,308	30,072	29,308	29,308
Net OPEB Liability	237,274	148,702	-	385,976	-
Total	\$ 12,834,859	520,473	1,808,195	11,547,137	1,573,319
<u>Business type activities:</u>					
Net OPEB Liability	\$ 20,045	12,562	-	32,607	-

General Obligation Bonds Payable

Detail of the District's June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond issue dated May 1, 2011				
	Interest Rates	Principal	Interest	Total	
2014	2.25 %	\$ 610,000	124,567	734,567	
2015	2.25	635,000	110,843	745,843	
2016	2.50	655,000	96,555	751,555	
2017	2.50	675,000	80,180	755,180	
2018	2.50	705,000	63,305	768,305	
2019	2.70	710,000	45,680	755,680	
2020	2.90	695,000	26,510	721,510	
2021	3.10	205,000	6,355	211,355	
Total		\$ 4,890,000	553,995	5,443,995	

Revenue Bonds Payable

Detail of the District's June 30, 2013 revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond issue dated April 1, 2010				Bond issue dated April 25, 2012				Total	
	Interest Rates	Principal	Interest		Interest Rates	Principal	Interest	Principal	Interest	Total
2014	2.00 %	\$ 780,000	81,322		2.48 %	-	48,062	\$ 780,000	129,384	909,384
2015	2.00	705,000	66,473		2.48	-	48,062	705,000	114,535	819,535
2016	2.30	720,000	51,142		2.48	-	48,062	720,000	99,204	819,204
2017	2.75	735,000	32,756		2.48	-	48,062	735,000	80,818	815,818
2018	3.00	755,000	11,325		2.48	-	48,062	755,000	59,387	814,387
2019-2023	-	-	-		2.48	1,595,000	143,283	1,595,000	143,283	1,738,283
2024	-	-	-		2.48	343,000	4,253	343,000	4,253	347,253
Total		\$ 3,695,000	243,018			\$ 1,938,000	387,846	\$ 5,633,000	630,864	6,263,864

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,905,000 of bonds issued in April 2010 and \$1,938,000 of bonds issued in April 2012. The bonds were issued for the purpose of financing a portion of the costs of a remodeling project and improvements at Spartan Stadium. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2024. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 86% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$6,263,864. For the current year, \$1,115,000 of principal and \$133,117 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$1,055,457.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$590,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits - Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and have completed five years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Employees may continue participation in the District's health insurance plan subjected to approval of the District's insurance carrier regardless of which of the following options for early retirement benefits is selected by the employee.

An employee who is granted voluntary early retirement benefits has the choice of three options which are the following:

Option 1:

Employees who choose this option will be paid an amount equal to a percentage of their salary from the negotiated salary schedule between the District and the Solon Education Association in the last year of employment. Administrators shall be placed on the lane and step as if their years of experience were as teachers of the District. The percentage shall be calculated as 4.2% of the salary multiplied by the number of years of services as a professional licensed employee on a regular contract in the District. However, the maximum voluntary early retirement benefit shall be equal to the employee's salary from the salary schedule. Part-time employees shall receive a pro rata amount equal to the employee's full-time equivalency during the last year of employment.

Option 2:

Employees who choose this option will be paid \$2,000 per year for every year the employee has worked for the District. Part time employees will receive a pro rata amount.

Option 3:

To be eligible for this option, employees must have been on the District's health insurance plan as of the time of retirement. The District will contribute a maximum of \$580 each month towards the employee's continued participation in the District's health insurance plan until the employee dies, the employee fails to make payment for the balance of any premium costs due for insurance coverage, the employee turns 65 or becomes eligible for Medicare, whichever event occurs first. District contributions for part-time employees will be pro-rated based on FTE at time of retirement. Insurance premiums in excess of the allowable amount determined by the District are the responsibility of the employee.

Early retirement benefits were paid to nine employees during the year ended June 30, 2013 at a total of \$73,123.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 600,427	-	1,500	598,927
Construction in progress	1,545,576	1,947,722	3,493,298	-
Total capital assets not being depreciated	2,146,003	1,947,722	3,494,798	598,927
Capital assets being depreciated:				
Buildings	21,181,582	144,553	-	21,326,135
Land improvements	2,144,527	3,615,724	-	5,760,251
Machinery and equipment	1,974,892	133,898	48,000	2,060,790
Total capital assets being depreciated	25,301,001	3,894,175	48,000	29,147,176
Less accumulated depreciation for:				
Buildings	6,724,453	425,835	-	7,150,288
Land improvements	501,364	277,551	-	778,915
Machinery and equipment	1,360,720	167,604	48,000	1,480,324
Total accumulated depreciation	8,586,537	870,990	48,000	9,409,527
Total capital assets being depreciated, net	16,714,464	3,023,185	-	19,737,649
Governmental activities capital assets, net	\$ 18,860,467	4,970,907	3,494,798	20,336,576
Business type activities:				
Machinery and equipment	\$ 214,736	-	-	214,736
Less accumulated depreciation	141,521	14,195	-	155,716
Business type activities capital assets, net	\$ 73,215	(14,195)	-	59,020

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 10,601
Special	4,849
Other	8,357
Support services:	
Instructional staff	23,844
Administration	19,322
Operation and maintenance	20,370
Transportation	80,261
	<u>167,604</u>
Unallocated depreciation	<u>703,386</u>
Total governmental activities depreciation expense	<u>\$ 870,990</u>
Business type activities:	
Food services	<u>\$ 14,195</u>

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District’s contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$636,632, \$566,532 and \$486,146, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 80 active and 9 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. The District also has an explicit subsidy which is the difference between the age adjusted plan costs per benefit per members plus the direct subsidy by the employer.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District’s annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 196,863
Interest on net OPEB obligation	6,433
Adjustment to annual required contribution	<u>(18,482)</u>
Annual OPEB cost (expense)	184,814
Contributions made	<u>(23,550)</u>
Increase in net OPEB obligation	161,264
Net OPEB obligation - beginning of year	<u>257,319</u>
Net OPEB obligation - end of year	<u>\$ 418,583</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2013.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 58,873	11.13%	\$ 100,398
2012	179,325	12.49%	257,319
2013	184,814	12.74%	418,583

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1.235 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.235 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.908 million, and the ratio of the UAAL to the covered payroll was 31.6%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2011 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from information provided by the District. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$460,773 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2013 are broken out by the following projects:

Project	Amount
Allowable growth for returning dropouts and dropout prevention programs	\$ 205,078
Beginning teacher mentoring and induction programs	36
Teacher salary supplement	47,658
Four-year old preschool state aid	10,657
Professional development for model core curriculum	11,272
Professional development	3,439
Gifted and talented	34,690
Governor's advisory council (STEM scale-up programs)	2,500
Total	<u>\$ 315,330</u>

(12) Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	School Infrastructure	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	1,225,801	430,657	1,796,587	3,292,191
Capital assets, net of accumulated depreciation	20,336,576	-	-	-	-
General obligation bond capitalized indebtedness	(4,890,000)	-	-	-	-
Revenue bond capitalized indebtedness	(5,519,923)	-	-	-	-
Revenue bond proceeds not expended	-	(113,077)	-	-	-
Termination benefits	-	-	(430,657)	-	(178,196)
Accrued interest payable	-	-	-	(89,353)	-
Income surtax receivable	-	-	-	-	521,623
Internal service fund	-	-	-	-	26,757
Net OPEB liability	-	-	-	-	(385,976)
Compensated absences	-	-	-	-	(29,308)
Assigned	-	-	-	-	13,515
Net position (Exhibit A)	<u>\$ 9,926,653</u>	<u>1,112,724</u>	<u>-</u>	<u>1,707,234</u>	<u>3,260,606</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOLON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 9,046,777	976,834	10,023,611	10,170,238	10,170,238	(146,627)
State sources	6,387,139	4,983	6,392,122	6,419,879	6,419,879	(27,757)
Federal sources	440,496	135,077	575,573	279,350	279,350	296,223
Total revenues	<u>15,874,412</u>	<u>1,116,894</u>	<u>16,991,306</u>	<u>16,869,467</u>	<u>16,869,467</u>	<u>121,839</u>
Expenditures/Expenses:						
Instruction	8,429,468	60,548	8,490,016	9,025,300	9,215,250	725,234
Support services	3,782,654	33,841	3,816,495	4,110,920	4,375,800	559,305
Non-instructional programs	-	868,467	868,467	882,000	930,000	61,533
Other expenditures	4,534,769	-	4,534,769	4,555,745	5,326,216	791,447
Total expenditures/expenses	<u>16,746,891</u>	<u>962,856</u>	<u>17,709,747</u>	<u>18,573,965</u>	<u>19,847,266</u>	<u>2,137,519</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(872,479)	154,038	(718,441)	(1,704,498)	(2,977,799)	2,259,358
Other financing sources, net	15,924	-	15,924	-	-	15,924
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(856,555)	154,038	(702,517)	(1,704,498)	(2,977,799)	2,275,282
Balance beginning of year	8,829,162	377,229	9,206,391	5,731,890	5,731,890	3,474,501
Balance end of year	<u>\$ 7,972,607</u>	<u>531,267</u>	<u>8,503,874</u>	<u>4,027,392</u>	<u>2,754,091</u>	<u>5,749,783</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment to increase budgeted expenditures by \$1,273,301.

SOLON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 1,235	\$ 1,235	0.0%	\$ 6,807	18.1%
2011	July 1, 2009	-	1,235	1,235	0.0%	6,854	18.0%
2012	July 1, 2011	-	1,235	1,235	0.0%	4,306	28.7%
2013	July 1, 2011	-	1,235	1,235	0.0%	3,908	31.6%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

SOLON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 428,712	224,763	653,475
Receivables:			
Property tax:			
Delinquent	2,253	-	2,253
Succeeding year	454,999	-	454,999
Accounts	-	4,504	4,504
Due from other funds	-	852	852
Due from other governments	-	2,125	2,125
TOTAL ASSETS	\$ 885,964	232,244	1,118,208
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 308	30,787	31,095
Due to other funds	-	5	5
Deferred revenue:			
Succeeding year property tax	454,999	-	454,999
Total liabilities	455,307	30,792	486,099
Fund balances:			
Restricted for:			
Management levy purposes	430,657	-	430,657
Student activities	-	201,452	201,452
Total fund balances	430,657	201,452	632,109
TOTAL LIABILITIES AND FUND BALANCES	\$ 885,964	232,244	1,118,208

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 400,135	-	400,135
Other	5,881	440,384	446,265
TOTAL REVENUES	406,016	440,384	846,400
EXPENDITURES:			
Current:			
Instruction:			
Regular	39,220	-	39,220
Special	5,365	-	5,365
Other	-	388,745	388,745
Support services:			
Administration	28,538	643	29,181
Operation and maintenance of plant	158,837	6,138	164,975
Transportation	12,952	-	12,952
TOTAL EXPENDITURES	244,912	395,526	640,438
Change in fund balances	161,104	44,858	205,962
Fund balances beginning of year	269,553	156,594	426,147
Fund balances end of year	\$ 430,657	201,452	632,109

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
JUNE 30, 2013

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,982,383	733,560	2,715,943
Receivables:			
Property tax:			
Delinquent	-	3,273	3,273
Succeeding year	-	627,870	627,870
Due from other governments	172,185	-	172,185
TOTAL ASSETS	\$ 2,154,568	1,364,703	3,519,271
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 418	39,759	40,177
Retainage payable	337,849	-	337,849
Deferred revenue:			
Succeeding year property tax	-	627,870	627,870
Total liabilities	338,267	667,629	1,005,896
Fund balances:			
Restricted for:			
Debt service	590,500	-	590,500
School infrastructure	1,225,801	-	1,225,801
Physical plant and equipment	-	697,074	697,074
Total fund balances	1,816,301	697,074	2,513,375
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,154,568	1,364,703	3,519,271

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,055,457	592,474	1,647,931
Other	13,090	6,544	19,634
State sources	-	1,044	1,044
TOTAL REVENUES	1,068,547	600,062	1,668,609
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	224,432	224,432
Support services:			
Instructional staff	700	-	700
Administration	-	1,490	1,490
Operation and maintenance of plant	-	28,535	28,535
Transportation	-	116,870	116,870
Capital outlay	1,589,255	503,267	2,092,522
TOTAL EXPENDITURES	1,589,955	874,594	2,464,549
Deficiency of revenues under expenditures	(521,408)	(274,532)	(795,940)
Other financing sources(uses):			
Transfer out	(2,098,972)	-	(2,098,972)
Sale of property	-	3,000	3,000
Total other financing sources(uses)	(2,098,972)	3,000	(2,095,972)
Change in fund balances	(2,620,380)	(271,532)	(2,891,912)
Fund balances beginning of year	4,436,681	968,606	5,405,287
Fund balances end of year	\$ 1,816,301	697,074	2,513,375

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Thirty days to fitness	\$ 32	-	-	32
District-wide activities	2,954	605	1,109	2,450
Art club/Fine arts	4,590	8,175	6,112	6,653
Art for education	1	-	-	1
All athletics	(890)	121,520	112,792	7,838
Athletic facilities	1	-	-	1
Band	516	10,286	7,959	2,843
Baseball	4,138	29,436	27,359	6,215
Book a Birthday	2	-	-	2
Boys basketball	715	1,191	1,228	678
Boys golf	840	3,001	3,338	503
Boys track	(95)	10,019	9,499	425
Close-up	200	-	-	200
Computer training classes	1,545	-	-	1,545
Concessions	8,777	19,589	18,027	10,339
Conservation club	615	-	-	615
Cross country	3,563	4,725	5,134	3,154
Dance team	9,807	20,903	28,395	2,315
Drama	2,907	13,165	14,480	1,592
FBLA	391	-	-	391
Flag corps	379	1,468	1,599	248
Football	372	22,290	18,413	4,249
Girls basketball	2,099	979	1,113	1,965
Girls soccer	5,790	6,516	3,435	8,871
Girls track	1,218	2,961	3,628	551
Girls golf	(8)	488	453	27
Graduate class contributions	4,814	-	-	4,814
High school activities	7,120	2,350	130	9,340
High school student supplies	10,944	-	-	10,944
Honors english	45	-	-	45
HS football cheerleading	1,307	4,607	2,858	3,056
HS robotics club	139	10,686	9,652	1,173
HS student council	41	1,266	1,293	14
HS show choir	1,062	22,565	15,086	8,541
HS spartan fund run	2	-	-	2
HS wrestling cheerleading	2,005	2,989	3,474	1,520
HS yearbook	9,443	2,630	2,772	9,301
Junior class	4,477	5,983	3,608	6,852
Lakeview activities	1,089	-	-	1,089
Lakeview pictures	1,132	-	-	1,132

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Lakeview student council	9	-	-	9
LC community involvement	16	-	-	16
MS activities	412	515	-	927
Mock trial	233	-	-	233
MS band resale	3,256	6,576	7,205	2,627
MS cheerleading	5,818	-	-	5,818
MS dance team	1,454	-	-	1,454
MS show choir	10,892	11,832	12,610	10,114
MS student council	6,721	12,546	6,774	12,493
MS student supplies	1,667	-	-	1,667
MS recycling	-	740	160	580
Archery	-	1,200	-	1,200
MS yearbook	1,195	4,550	1,769	3,976
National honor society	189	1,022	1,114	97
Padlocks	321	-	-	321
Peer council	556	-	-	556
Pro life	132	-	-	132
Media center	679	-	104	575
Petty cash	43	-	43	-
Registration	4,306	1,633	2	5,937
Science/Math boosters	5	-	-	5
Summer enrichment	276	-	-	276
You can do it	2,142	-	-	2,142
SADD	6	-	-	6
School store	40	98	-	138
Senior class	2,822	1,213	974	3,061
Softball	7,057	17,097	19,377	4,777
Spanish club	2,237	3,176	22	5,391
Speech	1,903	481	61	2,323
Trapshooting	829	22,158	20,969	2,018
Vocal music	600	3,372	3,033	939
Volleyball	29	4,030	2,679	1,380
Win with reading	60	-	-	60
Wrestling	5,145	14,599	11,741	8,003
YAC	564	-	-	564
Boys soccer	901	3,153	3,943	111
Total	\$ 156,594	440,384	395,526	201,452

SOLON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 7,431,558	7,397,406	7,086,979	6,696,782	6,317,275	6,096,403	4,681,730	4,284,269	4,168,992	4,016,863
Tuition	965,637	903,087	907,769	701,227	597,989	454,727	455,383	369,739	414,282	460,436
Other	649,582	642,948	747,506	707,657	545,908	605,667	561,951	581,774	478,405	428,773
State sources	6,387,139	6,325,263	5,873,363	5,027,367	5,962,340	5,769,420	5,291,614	5,019,959	4,681,941	4,367,205
Federal sources	440,496	432,864	838,435	429,159	196,169	205,620	261,185	185,326	160,999	159,255
Total	\$ 15,874,412	15,701,568	15,454,052	13,562,192	13,619,681	13,131,837	11,251,863	10,441,067	9,904,619	9,432,532
Expenditures:										
Instruction:										
Regular	\$ 5,966,398	5,672,800	5,361,983	4,890,205	4,915,440	4,507,086	4,312,966	3,912,378	3,522,375	3,367,391
Special	1,308,080	1,208,371	1,216,630	1,422,014	1,410,146	1,332,183	1,199,336	1,161,030	968,611	955,782
Other	1,154,990	1,262,613	1,400,327	990,784	788,476	798,361	758,279	714,789	882,212	646,890
Support services:										
Student	179,977	106,746	150,722	129,267	112,984	129,669	138,969	138,911	133,370	170,130
Instructional staff	371,000	371,764	571,707	461,454	565,697	595,483	637,501	597,467	471,260	598,890
Administration	1,337,163	1,274,157	1,241,130	1,200,426	1,148,097	1,123,161	1,095,277	1,023,438	950,958	874,969
Operation and maintenance of plant	1,262,566	1,284,429	1,204,281	1,192,543	1,222,444	1,210,421	1,175,993	1,195,883	1,196,049	945,915
Transportation	631,948	647,062	437,884	549,644	436,254	391,206	343,888	427,022	414,093	467,611
Non-instructional programs:										
Food service operations	-	-	-	-	-	-	-	-	1,879	18,872
Capital outlay	2,092,522	3,884,535	3,384,606	1,382,411	255,744	363,038	340,888	121,754	-	191,307
Long-term debt:										
Principal	1,705,000	1,930,000	6,585,000	510,000	570,000	555,000	530,000	1,875,000	523,085	489,303
Interest and fiscal charges	276,514	15,890	407,547	362,345	301,343	322,005	341,631	561,060	476,575	496,359
Other expenditures:										
AEA flow-through	460,733	448,667	480,932	465,297	424,170	400,315	367,758	340,963	321,428	310,846
Total	\$ 16,746,891	18,107,034	22,442,749	13,556,390	12,150,795	11,727,928	11,242,486	12,069,695	9,861,895	9,534,265

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOLON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
IMPACT AID	84.041	FY 13	\$ 264,605
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	5,578
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	129,499 *
			<u>135,077</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6093-G	24,143
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	2,465
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 11	1,756
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 13	17,339
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 12	1,715
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 13	6,973
			<u>8,688</u>
GRANT WOOD AREA EDUCATION AGENCY:			
IOWA DEPARTMENT OF EDUCATION:			
SPECIAL EDUCATION GRANTS TO STATES (PART B)	84.027	FY 13	57,786
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH			
PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT			
HEALTH PROBLEMS	93.938	FY 12	330
			<u>\$ 512,189</u>

* - Includes \$35,816 in non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Solon Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of Solon Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Solon Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Solon Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Solon Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Solon Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Solon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a

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direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Solon Community School District's Responses to Findings

Solon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Solon Community School District's responses were not subjected to the auditing procedures applied in the audit or the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Solon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2014
Newton, Iowa

NOLTE, CORNMAN & JOHNSON, P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50209-3040
Telephone (641) 792-1910

**Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control Over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

To the Board of Education of Solon Community School District:

Report on Compliance for Each Major Federal Program

We have audited Solon Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Solon Community School District's major federal programs for the year ended June 30, 2013. Solon Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Solon Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Solon Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Solon Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Solon Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Solon Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Solon Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Solon Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Solon Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Solon Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

January 28, 2014
Newton, Iowa

SOLON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Individual*
 - CFDA Number 84.041 - Impact Aid
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Solon Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. It would appear that the District is lacking segregation of duties in the following areas:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Wire transfers - processing and approving.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - The District will review our policies and procedures and implement changes to improve internal controls as we deem necessary and fiscally feasible.

Conclusion - Response accepted.

II-B-13 Overpayment of Construction Contracts - We noted during our audit that the construction contracts with City Construction and MBNA Concrete for improvements at Spartan Stadium were overpaid by \$11,704 and \$19,000 respectively.

Recommendation - The District needs to contact these two construction companies and request a refund for the amounts of the overpayments.

Response - The District has resolved the overpayment with MBNA Concrete. The District is working with City Construction to resolve the overpayment. The SBO will work with the construction project manager to verify contract amounts to ensure accurate payment of contracts.

Conclusion - Response accepted.

OTHER MATTERS:

II-C-13 Commodity Pricing - We noted during our audit of the School Nutrition Fund that the District did not price the commodity inventory using the correct values provided by the Iowa Department of Education.

Recommendation - The District should review procedures in place for the calculation of commodity inventory at year end.

Response - The District will review procedures for calculation of commodity inventory at year end.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.041: Impact Aid
Federal Award Year: 2013
U.S. Department of Education

III-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. It would appear that the District is lacking segregation of duties in the following areas:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.

- 2) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Wire transfers - processing and approving.
- 5) Financial reporting - preparing, reconciling and approving.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - The District will review our policies and procedures and implement changes to improve internal control as we deem necessary and fiscally feasible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, did not exceed the amount budgeted.

IV-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Desmond Cervantez, Teacher Owner, DDC Publications	Sheet music	\$260

In accordance with Attorney's General Opinion dated July 2, 1990, the above transaction with the teacher does not appear to represent a conflict of interest.

IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning Balance		\$ 4,436,681
Statewide sales and services tax revenue	\$ 1,055,457	
Other local revenue	13,090	1,068,547
Total revenues		5,505,228
Expenditures/transfers out:		
School infrastructure:		
Construction	\$ 1,521,667	
Equipment	8,288	
Other	60,000	
Debt service for school infrastructure:		
Revenue bond debt	2,098,972	3,688,927
Ending balance		<u>\$ 1,816,301</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-13 Signing of Contracts - We noted during our audit that contracts for disc jockey services were not being signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District needs to have the Board president sign all contracts the District enters into to be in compliance with 291.1 of the Code of Iowa.

Response - The District will have all contracts signed by the Board President.

Conclusion - Response accepted.

IV-N-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Questionable Accounts: We noted during our audit that it appears that revenues and expenses recorded in the Win With Reading, Lakeview Activities, MS Student supplies, HS Student Supplies and Computer Training Classes would appear to be instructional in nature.

Recommendation - The District should review the purpose of the Win With Reading, Lakeview Activities, MS Student supplies, HS Student Supplies and Computer Training Classes accounts. If it is determined that expenses from these accounts are instructional in nature, the remaining moneys in these accounts should be transferred to the General Fund.

Response - The District will review the accounts and will transfer monies to the General Fund if the accounts are determined to be instructional in nature.

Conclusion - Response accepted.

We also noted during our audit that the Student Activity Fund has a Registration and Graduate Class Contributions accounts. The Registration account appears to be unallocated Student Activity Fund fees collected during registration. The Graduate Class Contributions account is an accumulation of remaining moneys from classes that have graduated from Solon Community School District.

Recommendation - The Registration and Graduate Class Contributions accounts appear to be administratively maintained, rather than maintained by a club or organization. The District should determine if the moneys in the Registration account were for fees collected for the Student Activity Fund. If so, the moneys in that account should be allocated to the other activity fund accounts that the fees were collected for.

At year end, class officers of the graduating class should decide what happens with unused class funds. The remaining moneys in the graduating class account should be reclassified to the proper fund according to the class' wishes. If unused funds are to remain in the student activity fund, the remaining funds should be redistributed amongst other activity fund accounts or used for startup funds for the next incoming class. Since the District is unable to determine what the wishes were for previous classes, the remaining moneys in the Graduate Class Contributions account should be reallocated amongst the other student activity fund accounts based on recommendations made by the Activities Director and approved by the District's Board of Directors.

Response - The District will review the Registration account and allocate the remaining funds to the appropriate accounts.

The District will review the Graduating Class Contributions account and will reallocate funds as necessary until the balance of the account is zero.

Conclusion - Response accepted.

Instructional Type Revenues/Expenses: We noted during our audit that the District receipted the money received for recycling toner cartridges for the copiers at the Middle School into the Middle School Student Council account. Copier toner and other copier supplies as well as a one year site license renewal for Learning A-Z were purchased from the Middle School Student Council account.

Recommendation - It would appear that these items purchased from the Middle School Student Council account would be more instructional in nature and not allowed from the Student Activity Fund. Revenues and expenses intended for instructional items are more appropriately handled in the General Fund. Remaining funds in this account should be transferred to the General Fund where revenues and expenditures for instructional supplies are more appropriate. The District should abstain from purchasing instructional items from the Student Activity Fund.

Response - The District will closely monitor the Activity Fund to ensure all transactions are appropriate. We will continue to work with office personnel and administration on the appropriate costs to the Activity Fund versus the General Fund.

Conclusion - Response accepted.